

Message Text

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15

ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 SAM-01 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20

CIAE-00 COME-00 INR-10 LAB-06 NSAE-00 PA-04 USIA-15

PRS-01 NIC-01 SAJ-01 NSCE-00 SIL-01 DRC-01 L-03 /137 W

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 9639

INFO USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD BTRA CH US

SUBJECT: VISIT OF J. C. PENNEY BUYERS TO CHINA: BRAND NAME
PROBLEMS

REF: PEKING 273

SUMMARY: J. C. PENNEY'S TEAM CONCLUDED CONTRACTS WORTH
ABOUT US \$2.5 MILLION FOR PRC EXPORTS TO THE US OF
TOWELS, SHIRTS AND OTHER APPAREL. LABELING REMAINS
THE BIG PROBLEM. TEAM ASKED USG ASSISTANCE BOTH IN
EXPLAINING THE PROBLEM TO PRC OFFICIALS AND IN EXPEDITING
TRADEMARK AND BRAND NAME SEARCH BECAUSE OF VERY TIGHT
PRODUCTION AND DELIVERY SCHEDULES. CONGEN RECOMMENDS
DOING SO. END SUMMARY.

1. J. C. PENNEY'S VICE PRESIDENT, G. R. HOGENSON,
INFORMED CONGENOFFS THAT ITS FIVE-MAN TEAM SIGNED CON-
TRACTS WORTH ABOUT US \$2.5 MILLION COVERING A NUMBER OF
ITEMS INCLUDING TOWELS, SHIRTS AND OTHER APPAREL.
PACKAGING CAUSED A FEW PROBLEMS BECAUSE CHINESE WANTED
TO SHIP IN BULK. PENNEY'S EXPLAINED THEIR DISTRIBUTION
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SYSTEM AND THEIR DESIRE TO AVOID THE HIGH COSTS ASSICI-

ATED WITH WAREHOUSING AND REPACKAGING IN THE US. PENNEY'S WILLINGNESS TO ACCEPT PACKAGES CONTAINING TWO OR THREE DOZEN OF AN ITEM RATHER THAN THEIR PREFERRED ONE DOZEN PER BOX AND THEIR ACCEPTANCE OF A SLIGHT PRICE INCREASE LED TO AMICABLE RESOLUTIONS OF THESE PROBLEMS.

2. LABELING, HOWEVER, WAS A DIFFERENT MATTER. CHINESE DID AGREE TO PUT ON TOWELS A SINGLE LABEL SAYING BOTH J. C. PENNEY AND MADE IN CHINA. IN ALL OTHER CASES, HOWEVER, THE CHINESE INSISTED ON CHINESE BRAND NAMES AND LABELS. EVENTUALLY THEY AGREED ON A TWO-LABEL APPROACH, WITH ONE BEING THE CHINESE BRAND NAME AND THE OTHER SAYING J. C. PENNEY. HOGENSON REITERATED J. C. PENNEY'S CONCERNS ABOUT POSSIBLE LEGAL COMPLICATIONS AS DESCRIBED REFTEL AND SOUGHT USG ASSISTANCE ON THE PROBLEM. CONGENOFFS SAID THEY WOULD REPORT THE CONVERSATION AND SUGGESTED PENNEY'S CONTACT EA/PRCM.

3. ROBERT BOULOGNE, DIRECTOR OF INTERNATIONAL MARKETING, PLANS TO ARRIVE IN WASHINGTON FEBRUARY 19 OR 20 TO WORK ON THIS PROBLEM (SEE PARAS 3 AND 4 OF REFTEL). PENNEY'S SEEKS USG HELP TO EXPLAIN TO PRC OFFICIALS THE NATURE OF THIS LABELING PROBLEM, THE NEED TO SEARCH REGISTRATIONS IN ORDER TO AVOID LEGAL COMPLICATIONS, AND THE DESIRABILITY OF IT BEING THE PRC, RATHER THAN US COMPANIES WHICH REGISTERS ITS BRAND NAMES.

4. PENNEY'S HAS A HALF DOZEN DIFFERENT LABELS IN HAND, AND THE CHINESE ARE SUPPOSED TO BE AIRMAILING THE OTHERS. PENNEY'S DESIRES USG ASSISTANCE IN EXPEDITING THE NECESSARY REGISTRATION SEARCHES. SPEED IS ESSENTIAL IN THE SEARCHES BECAUSE, GIVEN TIGHT CHINESE PRODUCTION AND SHIPPING SCHEDULES, THE DEADLINE FOR NOTIFYING CHINESE OF ANY LABELING PROBLEMS ON SOME CONTRACTS IS MARCH 10. ACTUAL SHIPPING DATES ARE IN AUGUST AND SEPTEMBER.

5. HOGENSON REITERATED PENNEY'S STRONG DESIRE FOR USG ASSISTANCE SEVERAL TIMES. HE MADE IT CLEAR THAT LIMITED OFFICIAL USE

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PENNEY'S IS CONCERNED THAT THE PRC DOES NOT UNDERSTAND US BRAND NAME REGISTRATION REGULATIONS AND WILL MISUNDERSTAND IF PENNEY'S FINDS IT NECESSARY TO REJECT ANY CHINESE LABELS ON THE BASIS OF PRIOR REGISTRATION BY OTHERS. PENNEY'S FEARS THAT PRC WILL THEN HAVE DOUBTS ABOUT THE COMPANY'S GOOD FAITH.

6. AS BRAND NAME/LABELING PROBLEM IS ONE THAT IS, OR

WILL BE, FACING MANY US FIRMS, CONGEN RECOMMENDS THAT
USG SEEK APPROPRIATE OPPORTUNITIES TO DISCUSS IT WITH
PRC TRADE OFFICIALS. CONGEN BELIEVES IT WOULD BE DE-
SIRABLE TO INVOLVE NATIONAL COUNCIL FOR US-CHINA TRADE
IN THIS EFFORT, TOO. WE WOULD BE WILLING TO DISCUSS
IT WITH CHINA RESOURCES COMPANY OFFICIALS HERE IN HONG
KONG IF THAT IS DEEMED DESIRABLE AND IF DEPARTMENT WILL
PROVIDE SUITABLE BRIEFING MATERIALS.

7. AS NOTED IN HK A-24, FOREIGN POLICY SUCCESSES CAN
BE IMPORTANT TO THE CHOU ADMINISTRATION, AND THIS
OBVIOUSLY INCLUDES SUCCESSES IN THE PRC'S EXPORT DRIVE.
AS ONE SMALL STEP IN CONTINUING EFFORT TO DEMONSTRATE
TO THE CHINESE OUR GOOD FAITH AND INTENT TO HELP
IMPROVE BOTH SIDES OF THE TRADE LEDGER, CONGEN RECOMMENDS
THAT USG PROVIDE APPROPRIATE ASSISTANCE IN EXPEDITING
THE REGISTRATION SEARCHES.
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